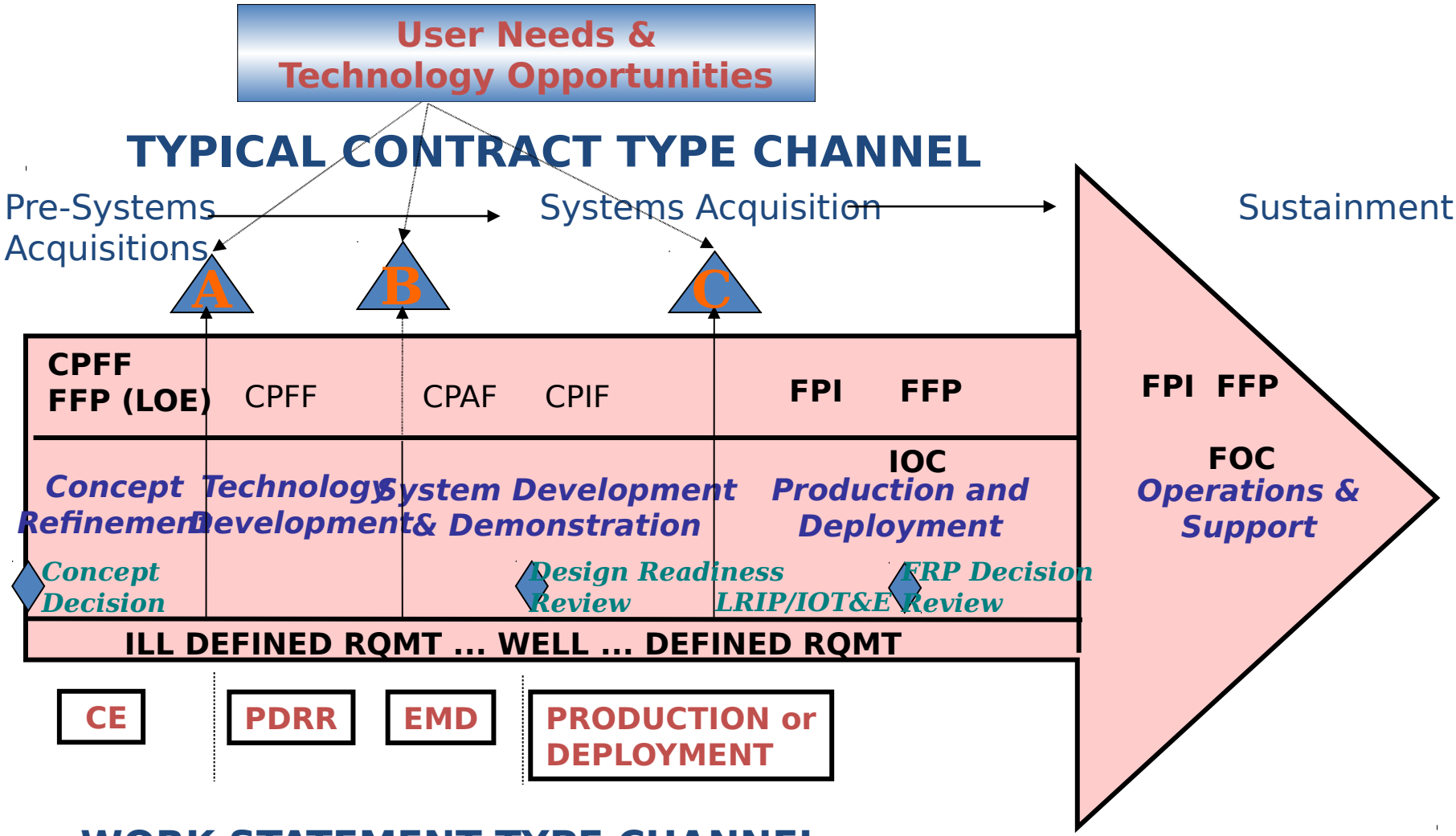
Contract Category Characteristics

	COST-REIMBURSEMENT	FIXED-PRICE
PROMISE	Best Effort	Shall Deliver
RISK TO CONTRACTORS	Low	High
RISK TO GOVERNMENT	High	Low
CASH FLOW	As Incurred	On Delivery
PROGRESS PAYMENTS	None	% of Actual
ADMINISTRATION	Max Government	Min Government
FEE/PROFIT	Max: 6/10/15 % CPFF Contracts	NO Limit

Mission Support Planning

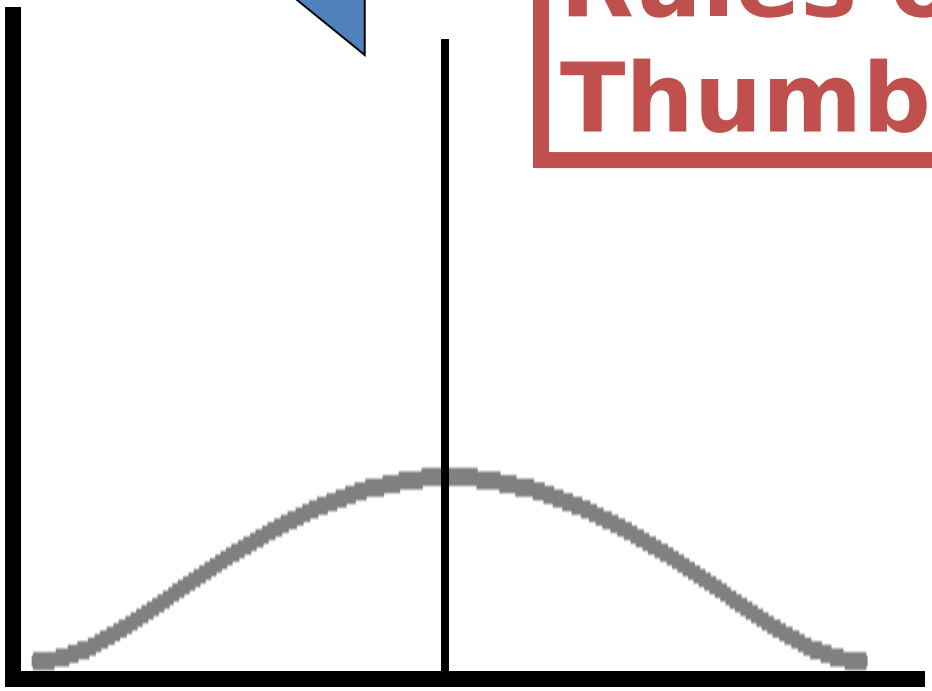
Contract Types - Major Systems Continuum

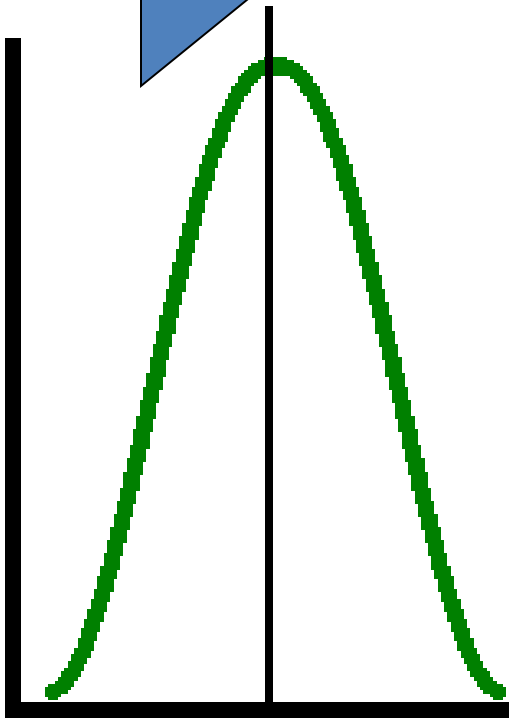


Reliability of Cost Estimate and Confidence of Outcome

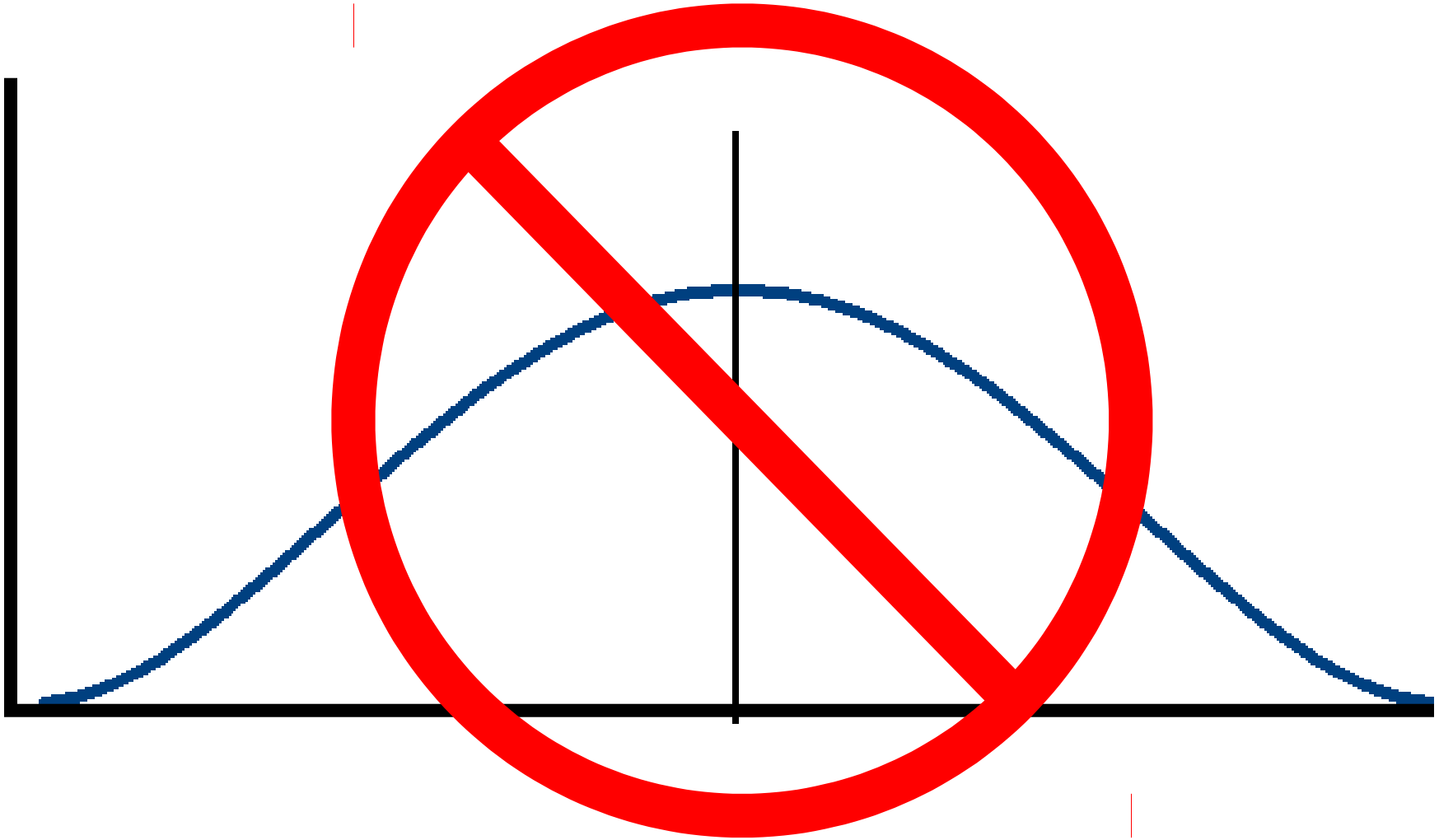
CPFF	CPIF	FPIF	FFP or FFP/EPA
30 % +	20 - 30 %	10 - 20 %	0 - 10 %

Rules of Thumb

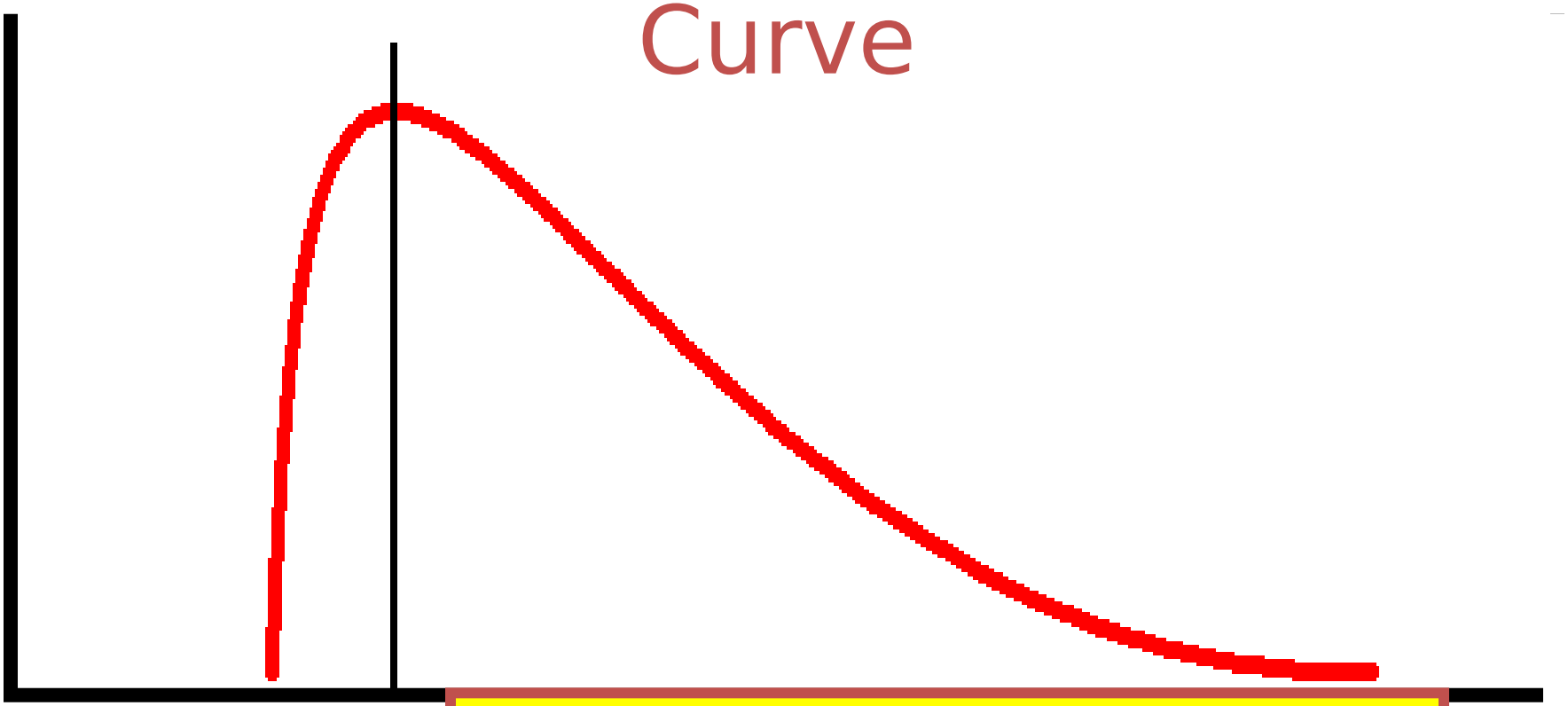




Distribution of Cost Outcomes
Does Not Follow a Bell Shaped Curve



Distribution of Cost Outcomes Does Not Follow a Bell Shaped Curve



There is limited potential for under run, but infinite potential for overrun.